



INSURANCE SENSE

There were 16 named storms in the 2008 season, including eight hurricanes. Hurricane Dolly made landfall in south Texas on July 23 as a Category 2 hurricane and caused \$525 million in insured losses, according to ISO. Gustav, the second major hurricane of the 2008 season, made landfall about 70 miles southwest of New Orleans as a Category 2 hurricane. Losses for Gustav were estimated to be \$2.1 billion by ISO. Hannah reached the border of South and North Carolina as a tropical storm on September 6 and caused \$80 million in insured losses, according to ISO. Ike, the fifth and most costly hurricane of 2008, slammed into Texas as a Category 2 hurricane with winds just below Category 3. The third storm to hit Texas in 2008, Ike, a huge 260-mile wide storm, also caused insured losses in eight other states. Preliminary estimates for Ike's damage were \$10.7 billion, according to ISO, making Ike the fourth costliest hurricane in U.S. history.

NEW YORK, March 11, 2009 With increasing job instability and the value of paychecks and investments going down, you may be tempted to cut corners on your insurance. While there are many smart ways to save money on insurance, the Insurance Information Institute alerts consumers that there are also mistakes that could result in being dangerously underinsured.

“Asking about available discounts and comparison shopping are excellent ways to cut insurance costs,” said Jeanne M. Salvatore, senior vice president and consumer spokesperson for the Insurance Information Institute. “Consumers should not try to save money by reducing or dropping necessary coverage. This could result in a financial disaster if there is a fire, hurricane, severe winter weather or other catastrophe.”

Following are the four biggest insurance mistakes you should avoid:

Insuring a Home for its Real Estate Value Rather than the Cost of Rebuilding

With the value of real estate going down, some home buyers may think that they can reduce the amount of insurance on their home. Insurance, however, is designed to cover the cost of rebuilding a home. It is not linked to the sale price of the home. Homeowners should be careful to purchase enough insurance coverage to completely rebuild their home and replace their belongings.

A Better Way to Save Money: Take a higher deductible. Consider a deductible of at least \$500. If you can raise the deductible to as much as \$1,000, you may save up to 25 percent on many home insurance policies. The average person only files a claim every eight to 10 years so most homeowners will save money over time.

Selecting an Insurance Company by Price Alone

When shopping for insurance, it is important to select a company that is financially sound and has a reputation for outstanding customer service. Check the financial health of an insurance company by using ratings from [independent rating agencies](#). Contact your [state insurance department](#) to find out whether they make available consumer complaint ratios by company.

A Better Way to Save Money: Ask friends, relatives and business acquaintances for recommendations. It is important to select an insurance company that answers questions and handles claims fairly and efficiently. Remember, you will be dealing with this company if you have an accident or other emergency, so you want to find a company that will be responsive to your needs.

Dropping Flood Insurance

Damage from flooding is not covered under standard homeowners and renters insurance policies. Instead, you must purchase a separate flood insurance policy. Most people tend to underestimate the risk of flooding. In fact, 90 percent of all natural disasters in this country involve flooding, according to the [National Flood Insurance Program \(NFIP\)](#).

A Better Way to Save Money: Look into the cost of flood insurance before selecting a house or apartment, since flood insurance should be calculated into the cost of the home. In 2007 the average amount of flood coverage was \$201,598 and the average NFIP premium was \$505; more detailed information on the risk and cost of flood insurance can be found at [FloodSmart.gov](#).

Neglecting to Purchase Renters Insurance

Buying a renters insurance policy can provide a very important financial safety net. Renters insurance covers personal possessions in the event there is a fire or other insured disaster. It will not only pay to replace your belongings, but also provides coverage for additional living expenses and liability protection in the event someone is injured on your property. With the average policy costing only about \$200 per year, it is also affordable. Unfortunately, a 2006 [Insurance Research Council](#) poll found that only 43 percent of renters had insurance compared with 96 percent of homeowners.

A Better Way to Save Money: Look into multi-policy discounts. Purchasing several policies with the same insurer will generally provide some savings in the form of a discount, check the cost of getting your renters insurance policy with the same company that provides your auto, life or excess liability policy.